

# MIFC Preamble

The Mayor's Infrastructure Finance Committee (MIFC) knows that the recommendations contained in this report will be the subject of much community discussion and debate.

The strategies being recommended to the citizens and elected officials of the City of Lincoln will require common -- and in some cases uncommon -- dedication and forbearance. The decision to pursue these recommendations will not be an easy one. The task before us will be viewed by many as daunting. And by others as audacious. And still others as brave and courageous.

Regardless of how it is characterized, the approach suggested by the members of the MIFC and the three Work Groups reflects an honest, sincere, hard honed effort to address one of Lincoln's most pressing issues -- namely how to adequately finance the maintenance and expansion of the community's public infrastructure.



Millions of private and public dollars are at stake. The lives and livelihoods of hundreds of thousands of individuals will be materially affected. For decades to come, the quality of life in this community will bear the residual imprint of the decisions made as a result of this effort.

The MIFC was charged with developing strategies for closing the infrastructure financing gap. The package of proposals in this report are designed primarily with that objective in mind. As a package, these proposals have the potential to significantly impact the resources available for other public purpose projects or needs, i.e., schools and other community services. In issuing this report, the members of the MIFC wish to clearly state that they did not have the time, nor the mandate, to address the relative priority of addressing these various public needs, nor how they might be best coordinated. Pursuing answers to those questions must be left to other public forums.

The numerous citizen members and City staff who participated in this undertaking know of its importance to both the present and future residents of Lincoln. The task has not been taken lightly. The outcome embodies compromise, resolve, and the sincerity to achieve the best result possible for all.



In this chapter of the report, the MIFC wishes to pause for a moment to clearly articulate for the reader their beliefs and thoughts on how the Committee's recommendations should be measured. And to take time to explain those key technical and rhetorical filters through which the recommendations must be viewed.

These are the underlying principles and common understandings that the Committee has operated under and worked toward for over the last half year. They reflect the candor and earnestness of those committed individuals who believe wholeheartedly in the future of Nebraska's capital city, and in the sacrifice it will take from us all to achieve our collective vision for Lincoln.

### **Recommendations as a "Complete Package"**

**The members of Mayor's Infrastructure Finance Committee (MIFC) unanimously agree that the public infrastructure funding, policy, and infrastructure program recommendations contained in this report should be viewed as a "complete package."**

If one component of this integrated bundle of policies and approaches is deleted or significantly altered for whatever reason, the Mayor's Infrastructure Finance Committee believes the integrity of the overall program may be drawn into question.

The recommendations must be taken in their entirety. This includes all three component areas the Committee was asked to consider -- namely, financing, cost savings and efficiency, and legislation.

The Committee and its three work groups exercised strong diligence to integrate their findings into a unified set of recommendations. The goal of deriving an integrated set of recommendations was embodied in the process employed in their formulation and in the spirit of the participants of the process.

In particular, the recommended funding strategy reflects a carefully crafted balance of financing opportunities for water, wastewater, streets, stormwater and park facilities.

The Mayor's Infrastructure Finance Committee took very seriously the Mayor's charge to the group to find a "balanced funding approach." Such "balance" was and remains elusive. It is subject to debate and differences of thought and perspective.



## **Planning Time Horizon and Capital Improvement Schedule**

**City government should maintain a constant planning horizon of at least 12 years for infrastructure improvements for streets, water, wastewater, stormwater, and parks based on the most optimal scenario for cost effective design and construction.**

**This capital improvement construction plan should be closely coordinated and be consistent with the Comprehensive Plan, and serve as the basis of the CIP and annual budget. When considering variations from this Plan, City government should carefully consider infrastructure cost impacts. Decisions to vary from the Plan should be minimized. When decisions are made to vary from the Plan, the City should seek to recover as much of the cost incurred over the baseline scenario as possible from the developer.**

Proper public infrastructure planning, designing, and building is both a continuous and long term process. Planning for streets, water resources and distribution, and wastewater treatment must be done years in advance of when services need to be installed to meet growth needs.

Logically sequencing the installation of Lincoln's water and wastewater systems can optimize construction costs and minimize impacts on local tax- and utility rate-payers. This is due largely to the fluid mechanics that guide their design.

Because of the long term planning horizon for infrastructure needs, the City's Comprehensive Plan, its Capital Improvements Program (CIP), and annual budgets must be closely coordinated and tightly integrated. In the past, pressure from developer interests to vary from the Comprehensive Plan both in terms of timing and direction has resulted in infrastructure installation at substantially higher costs than planning installation would have incurred.

The MIFC recognizes that development opportunities may present themselves to City Government that are not consistent with the Comprehensive Plan, the CIP, or annual budgets, but that nevertheless may be prudent both economically and politically.

By maintaining a disciplined, long term planning process that includes an optimal baseline scenario using sound and logical infrastructure installation, City Government will be positioned to evaluate such opportunities and consider the overall cost impact over and above the baseline scenario to determine if decisions to vary from the baseline Plan are prudent.



## **Need for Broad Contributions to Common Goals**

With this in mind, the Committee also affirms its belief that the future funding and execution of public infrastructure planning, policy, and programming must draw upon a proportionality respecting all facets and interests within the City -- both present and future. The maintenance, rehabilitation, and expansion of the street, water, sanitary sewer, stormwater, and park facilities necessitates contributions from a broad base.

As noted earlier, the public infrastructure financial implications from the proposed funding recommendations will be substantial. Millions of dollars are needed over several decades to address the core infrastructure service needs of the City of Lincoln. This financing challenge must – in the Committee’s deeply held belief – be borne by a wide range of segments within our community. Those segments of greatest note include:

- " The Community as a Whole;
- " The Users of the Infrastructure Services; and,
- " The Development Community.

Debate will be spawned -- no doubt – over the relative distribution of the “burden” across these community segments. Each will stake claim to a special and unique set of circumstances or contributions they have already or continue to make. The harsh reality is that all segments must be willing to commit to their “fair share” if any collective vision for community growth and sustainability is to be achieved.

## **Committee’s Commitment to Mayor Wesely’s Charge**

At the very beginning of this process, Mayor Wesely presented to the Committee his “Charge Statement.” This Charge Statement expressed a series of basic notions about the process they were about to embark upon and the parameters under which the Committee and Work Groups were to complete their respective tasks.



As this process comes to a close, the Committee wishes to assert its continued confidence in the wisdom of these directives from the Mayor and of the need to continue them as the process moves into the broader public arena.

The Committee thus affirms its belief with the following items from the Mayor’s Charge Statement:

- " **City-County Comprehensive Plan** – The Comprehensive Plan remains the community's underlying planning and programming framework. It should serve as the compass point against which decisions are made concerning infrastructure resource allocation.
- " **Balanced Funding Approach** – The Committee has stated earlier in this section its belief in seeking a combination of funding alternatives that produce a balance – a shared course of action that offers an equilibrium among all participants in the planning and fostering of our community.
- " **Infrastructure Financing Priorities** – In his Statement to the Committee, the Mayor expressed a series of financing priorities the groups should respect in their deliberations. The Committee finds these priorities to remain valid and timely. They are: **(1)** maintenance of existing facilities should be given primary consideration; **(2)** following this are projects of broad community benefit (such as the South and East Beltways and the Antelope Valley Project); and, **(3)**, finally, infrastructure improvements that further planned urban growth.
- " **Focus on Specific Infrastructure Elements** – The Mayor asked the Committee to focus its efforts on five specific infrastructure elements – namely, streets and highways, water, wastewater, stormwater, and parks. The Committee and Work Groups have respected this request and are satisfied with the decision to limit the review to these areas of inquiry.
- " **Financing Package Time Frame** – The Committee and Work Groups sought to find a realistic financial planning time frame. After careful deliberation, the decision was made to craft an overall package addressing the City's infrastructure financing needs over the next 12 years. This reflects an realistic funding planning time horizon and parallels the 'Priority Area A' area illustrated in the Comprehensive Plan. It also is within the timing guidelines outlined in the Mayor's Charge Statement.
- " **Impact Fee Assumptions** – The Mayor asked the Committee and Work Groups to assume future financial contributions commensurate with his impact fee proposal (with amendments) as presented on August 26, 2002. This process honors this request. Additional comments from the Committee regarding impact fees follow later in this Preamble.



## **Recommended Implementation Policy Standard**

To create more improved land for development, the Comprehensive Plan calls for more miles of streets and more miles of water and sewer lines than is necessary to accommodate the projected population growth of 1.5%. This will increase taxes and utility fees.

Public officials should carefully weigh the balance between:

- (1) Increasing taxes and utility fees beyond what is necessary to accommodate 1.5% population growth, and
- (2) Creating more improved land for development assuming that competition will decrease building lot prices.

## **Status of Impact Fees as Funding Source**

At this writing, the development impact fees are being challenged in the courts.

This condition notwithstanding, the Mayor's Infrastructure Finance Committee believes the collection of proposed development impact fees was and remains a critical component in crafting the community compromise expressed in this report.

Based in part on the Mayor's Charge Statement, impact fees were considered by the Committee and its Work Groups to be a fundamental part of an overall financing package. Such fees represent nearly \$62.7 million in potential revenues over the 12 years examined by this process.



In the event that development impact fees are eliminated – be it through political or judicial action – as a future funding source for the construction of new public infrastructure, the money these fees would have generated must be replaced in a timely fashion by a similar source from the development community commensurate with this dollar amount.

Should a replacement funding source from the development community prove unattainable, the community compromise underlying the recommendations of the MIFC and outlined in this report is considered to be null and void.



If development impact fees remain a viable long term funding source, the five year review of the impact fee schedule called for in the adopted City Ordinance should occur as scheduled.

In the interim, it was assumed that automatic annual inflationary adjustments would take place. There is now a degree of uncertainty regarding how this adjustment might occur. As stated in the Mayor's April 10, 2003, written statement to the MIFC, "The language of the ordinance must be clarified to accomplish this goal." The Committee supports the Mayor's conclusion and recommends that actions be taken to bring about this intent.

### **Inflationary Impact on Expenses and Revenue Sources**

The complexity of dealing with local public infrastructure issues became quickly apparent to the Committee and Work Groups. There are a myriad of highly complicated and interlaced forces driving "when" and "how" funds might be raised for infrastructure construction and maintenance.

Adding to this complexity are the inflationary forces occurring over time. Inflation can and does alter the cost of capital construction and potentially the revenues that can be used to pay for them.

It was determined early in this process that no inflationary factor would be applied to the cost and revenue estimates used in determining the community's 12 year public infrastructure funding needs. In certain cases, small incremental additions were made where it was known or understood that growth would increase future costs or revenues.

For example, as the City continues to expand and add new neighborhoods, there will be additional miles of streets to maintain – e.g., snow removal, street sweeping, filling of potholes. This increase is borne not through inflation, but simply the expansion in how many miles of streets there are for the City to maintain. Similarly, over time growth will bring more cars to the city, and thus there will be more revenue generated from such sources as the Wheel Tax. Once more, this increase is not driven by inflation but merely the addition of more vehicles in the City's tax base.

As the proposals in this report move from the recommendations and public policy discussion phase to an implementation phase, it is important that the best available estimate of future inflation be used to adjust these proposals to reflect the likely impact of inflation on actual revenues and project costs.



## **Cost Savings and Efficiencies**

For purposes of this process, the term “efficiency” was defined by the Cost Savings and Efficiency Work Group as activities saving money and/or time to the public and/or private sectors.

While it is extremely difficult to quantify the exact dollar or time savings from their findings, the Work Group believed their recommendations could result in:

- (1) an estimated \$35 million in “hard savings” (i.e., proposed infrastructure either scaled down in size or dropped as less essential);
- (2) another \$100 million in “deferred savings” (i.e., delaying portions of projects beyond the 12 year window and until they are determined as required, e.g., building today only three lanes of a proposed five lane road, or only one lane of a dual left turn lane, etc.), and,
- (3) an undetermined amount of “soft savings” (i.e., changes in city procurement practices and other administrative practices.)

In the final assessment of funding needs, the Finance Work Group utilized the findings of the Cost Savings and Efficiency Work Group to determine that their funding target for streets and highways should be approximately \$225 million over the 12 year planning period.

In addition, the Finance Group – in consultation with the Committee and the Cost Savings and Efficiency Work Group – prepared an assumed year-by-year phasing program based upon the growth areas delineated in the adopted Comprehensive Plan. This phasing program is shown in the Appendix of this Report.

